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Message Text

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21
ACTION EA-10

INFO OCT-01 ISO-00 NSCE-00 SAJ-01 NIC-01 SAM-01 PM-03

XMB-02 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-04 FRB-01 H-01 INR-05 INT-05 L-01 LAB-01 NSAE-00

NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 SWF-01

DRC-01 /086 W
---------- 018323
R 170205Z OCT 74
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 2561
INFO USLO PEKING

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AGRICULTURE FOR FAS, GRAIN AND FEED DIVISION; FATS AND OILS DIVISION

E.O. 11652: N/A
TAGS: EAGR, ETRD, CH, US
SUBJECT: US AGRICULTURAL EXPORTS TO PRC IN CY1974 BELOW EXPECTATIONS

REF: PEKING 1683

1. WE HAVE NOTED USLO'S REFTEL TO EFFECT THAT DEFERRED WHEAT SHIPMENTS AND THE HALT IN SOYBEAN DELEIVERIES MAY CAUSE U.S. EXPORTS TO CHINA IN CY1974 TO FALL AT LEAST $200 MILLION BELOW EARLIER PROJECTIONS. ALTHOUGH HONG KONG DOES NOT HAVE ACTUAL PRICE DATA AND DETAILED DELIVERY SCHEDULES, WE ESTIMATE AN EVEN LARGER SHORTFALL AND SUBMIT IT FOR CONSIDERATION IN CONSTRUCTING THE REVISED TRADE ESTIMATE REQUESTED BY PEKING.
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2. EARLIER IN CY1974, THE OPTIMISTIC OUTLOOK FOR US
AGRICULTURAL EXPORTS TO PRC WAS AT US$1 BILLION-LEVEL, OR
HIGHER. UNFORTUNATELY, THE TCK WHEAT SMUT PROBLEM, FOLLOWED
BY PROBLEMS WITH HIGHER MOISTURE AND THE TRANSPORT-RELATED
DETERIOIATION IN US CORN SHIPPED TO PRC, COMBINED TO
REDUCE SHARPLY TOTAL ANTICIPATED US GRAIN EXPORTS TO PRC
GRAIN EXPORTS TO PRC IN CY1974.

3. AS ALREADY
REPORTED, THE SUDDEN EARLY-1974 CANCELLATION
OF ORDERS FOR 840,000 METRIC TONS OF CORN STILL TO BE
SHIPPED BY SPET 30, 1974 AND 400,000 METRIC TONS OF CORN
FOR DELIVERY IN MY1974-74 (OCT 1, 1974 TO SEIO 30, 1975)
WAS IN PART OFFSET BY UNEXPECTED PURCHASE OF 600,000 MT
OF US SOYBEANS (WITH AN ESTIMATED ONE-FOURTH TO BE
SHIPPED IN CY1974). UNFORTUNATELY, THE OFFSETTING
SOYBEAN SALE ALSO PROVED ILLUSORY AS PROBLEMS WITH DATURA
SEEDS LED TO CANCELLATION THAT SALE AS WELL JUST WHEN
SHIPMENTS WERE ABOUT TO ACCELERATE.

4. OUR ASSESSMENT OF RESULTANT "DAMAGE" DONE TO EXPECTED
US EXPORT EARNINGS IN US-PRC CY 1974 AGRICULTRUAL TRADE
ARRIVES AT AN ESTIMATED SHORTFALL OF JUST OVER
US$300 MILLION; WITH BREAKDOWN AS FOLLOWS: (A) WHEAT:
900,000 MT (VALUED AT US$159 MILLION)--DELIVERY POSTPONED
UNTIL CY 1975; (B) CORN: 940,000 MT ($101 MILLION)--
CANCELLED. ESTIMATED BALANCE OF 300,000 MT FOR CY1975
DELIVERY ALSO CANCELLED); SOYBEANS: 150,000 MT ($46.3
MILLION) (ONE-FOURTH OF JUNE PURCHASE; ESTIMATED BALANCE
OF 450,000 MT ESTIMATED ORGINALLY FOR CY1975 DELIVERY).
THUS TOTAL ESTIMATED LOSS FOR CY1974 IS UD$306.3 MILLIOM.

5. BASED ON US OFFICIAL STATISTICS THROUGH AUGUST, AND
ESTIMATES OF SHIPMENTS WHICH MIGHT BE MADE IN SEPT.-DEC.
1974 (INCLUDING ROUGH ESTIMATES OF 50,000 BALES OF COTTON, WE
ESTIMATE TOTAL US AGRICULTURAL EXPORTS TO THE PRC IN CY1974
WILL PROBABLY REACH ONLY $670-680 MILLION-- A SIGNIFICANT
REDUCTION FROM THE EARLY 1974 PROJECTIONS.

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